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SUBJECT: Nigeria: Stakeholders Assess Impact of Port Reforms

Ref: 08 Lagos 132

¶1. (U) Summary: Nigeria's port reform program, which has turned over state-owned and operated ports to private concessionaires, has significantly improved efficiency of port operations and reduced vessel demurrage and turn around time. However, delays in customs clearance resulting from Nigeria's lengthy list of banned imports coupled with the prevalence of fraudulent cargo declarations have caused the cost of clearing goods to rise by 300 percent. Increased access to the ports by improved roads and rail lines is necessary in order for Nigeria to fully benefit from port reforms. End Summary.

¶2. (U) In February 2008 the Federal Ministry of Transportation (MOT) organized a stakeholders' forum in Lagos to review two year old port reforms. The forum, which was the first of its kind since the sector reform began, was attended by major maritime sector stakeholders including the Minister of Transportation, Diezani Maduekwe, and her deputy minister, Okechukwu Emeka. Members of the National Assembly committees on ports and maritime transportation also attended. Terminal operators, shipping companies, freight forwarding companies, truck drivers' association and other port users were also represented.

Reforms Reduce Vessel Waiting, Turn Around Times

¶3. (U) Stakeholders acknowledged that the port reform had recorded some successes including increased cargo throughput and berth occupancy, and reduced waiting and turn around time. Average waiting time for vessels has been reduced from 28 days to less than 24 hours, and container moves also improved from seven twenty-foot-equivalent units (TEUS) per hour to an average of 19 TEUS per hour. Port working hours per day have increased from 12 to 24 hours. Cargoes that once took 18 days to clear now clear in fewer than nine days.

Concessions Also Improve Efficiency at the Ports

¶4. (U) Port efficiency has also greatly improved post-concession. The Director General of the Nigerian Shippers Council, Ify Akerele, noted that in two years since the concessions, terminal operators have cleaned up the ports, provided electric power and water facilities and put up International Ship and Port Security (ISPS)-compliant fencing. Clients no longer have to incur the additional costs of providing security for their containers as warehouses have also been refurbished and better secured. Improving ship turn around time alone helped to eliminate about 200 million naira (USD 1.67 million) in additional costs annually. Despite this achievement, operators contend that a great deal of work remains to be done on the terminals.

Port Costs Up 300 Percent

15. (U) Despite these gains in efficiency, the cost of handling freight at the ports has increased by 300 percent post-concession. According to Dr. Boniface Aniebonam, a freight forwarder, the cost of clearing 1 TEU through Customs at the Apapa Port Terminal, increased by 329 percent from 11,715 naira (USD 98) pre-concession to 50,285 naira (USD 419), post-concession. Other costs such as handling fees, the fees charged by shipping companies for handling containers between the container terminals and the ships, and deposit charges for containers, which belong to the shipping companies, have also increased. As a result, Mark Walsh of ENL Consortium, the private operator of Apapa Terminals C and D, said cost increases are attributable to shipping companies and their agents. DG Akerele insisted a ports and harbor bill must be passed to create a regulator (National Transport Commission) to monitor costs in these areas and prevent untoward price increases.

Government Agencies at Ports Undermine Reform

16. (U) Over 15 government agencies are represented at Nigerian ports. Nigerian Custom Service Comptroller Rasheed Taiwo said although port reform has resulted in a reduction of government control, multiple government agencies still have control over some aspects of port operation, including police, military, drug enforcement agencies, immigration and customs, among others. Taiwo noted that while most of these agencies have a legal basis for operating at the ports their activities are a constant interference, creating bottlenecks, increasing cargo clearance costs, and undermining port reform. Taiwo said that the number of government

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agencies operating at the ports should be limited to those whose duties must be conducted there, for instance the Nigerian Custom Services (NCS), Nigerian Port Authority (NPA), Immigrations, Port Police, and designated custom agents.

17. (U) Although Nigeria has customs policies in place designed to reduce the amount of cargo that needs to be screened, the country's long list of import-prohibited items coupled with incorrect declaration of goods by importers results in 95 percent of containers being physically examined. Notwithstanding the increase in operational and services efficiency introduced by the concessionaires, custom inspections taking place outside the terminal gates drastically delays the clearing process and exponentially increases costs. According to Taiwo, these delays have resulted in the diversion of 70 percent of Nigeria-bound cargo to Benin, Togo and Abidjan for offloading and transport via road. (Note: The border station along the Lagos-Benin Republic highway is notoriously choked with trucks awaiting customs clearance. End note.)

Neglect of Other Transport Undermines Reform

18. (U) Stakeholders also criticized the lack of development of road and rail transportation which could enhance the results of port reform. Even if cargoes are cleared within 48 hours, it takes much longer for the cargo to get from the port to its final destination due to poor road conditions and the lack of rail service. Stakeholders urged the government to improve basic infrastructure in and around the port to help terminal operators.

19. (U) Comment: While the concessioning of the ports was a positive step by the GON, rising port costs are of concern. From the meeting, it is not clear if the rising costs are the result of the market seeking its natural price after years of inefficient government operation or the result of rising worldwide costs and customs delays as noted by some stakeholders. Rising costs may reflect a shift in the mix of goods now using the port and the value shippers place in being able to offload more rapidly. Though privatization has revitalized Lagos' once decaying port infrastructure, more must be done in order for Nigeria to fully

benefit from port reforms. End Comment.

110. (U) This cable has been cleared with Embassy Abuja.

BLAIR